Realizing the Potential of National Development Banks to Boost Sustainable Development Financing with MDB Support

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Research papers

Realizing the Potential of National Development Banks to Boost Sustainable Development Financing with MDB Support

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Realizing the Potential of National Development Banks to Boost Sustainable Development Financing with MDB Support

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Abstract
The world's public development banks cannot avoid confronting the global environmental and climate finance crises. Nor should they. This research paper asks, 'What do national development banks (NDBs) need from multilateral development banks (MDBs) to help foster a more catalytic public development bank response to financing the 2030 SDGs at the pace, scale, and on the terms appropriate for global green and just transitions? The paper draws three conclusions: NDB and MDB collaborations are intensely risk and cost sensitive, as well as too slow and complex; NDBs derive real benefit from MDB technical assistance; and NDBs have a sense of being unequal and subordinate partners to the MDBs. Four recommendations arise: (1) the expansion of dramatically more attractive climate financing and grants by the multilateral community; (2) the rethinking of MDB technical assistance; (3) the need for NDBs to build a robust pipeline of domestic projects; and (4) a call for UN Member States to foster a global public development bank ecosystem. The Finance in Common Summit (FiCS) 2025 in Cape Town, South Africa offered advance opportunity to debate and discuss these recommendations in the lead up to the 2025 United Nations Fourth Finance for Development Conference (FfD4) in Sevilla, Spain.

Keywords
Global environmental and climate finance crises, global green and just transitions, 2030 SDGs, global public development bank ecosystem, national development banks and multilateral development banks collaborations, Finance in Common Summit (FiCS), United Nations Finance for Development Conference (FfD4)

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Résumé

Dans le contexte des crises financières globales, les banques publiques de développement (BPD) se trouvent confrontées à des défis environnementaux et climatiques, tout en s'efforçant de ne pas s'y soustraire. Cette étude s'attache à identifier les besoins des banques nationales de développement (BND) en matière de soutien des banques multilatérales de développement (BMD). Elle vise à éclairer les stratégies des BND pour favoriser une réponse plus efficace au financement des Objectifs de développement durable (ODD) fixés pour 2030. Ces objectifs, au cœur des agendas internationaux, appellent à un changement profond et systémique, à l'échelle mondiale, pour des transitions écologiques et équitables. Cette analyse aboutit à trois conclusions majeures. En premier lieu, il est constaté que les collaborations entre les NDB et les MDB sont extrêmement sensibles aux risques et aux coûts, et qu'elles sont trop lentes et complexes. En deuxième lieu, il est établi que les NDB tirent un réel bénéfice de l'assistance technique des MDB. En outre, il est mis en exergue que les NDB perçoivent leur rôle de partenaire comme étant inégal et subordonné vis-à-vis des MDB. Quatre recommandations émergent de cette analyse : (1) l'accroissement des financements et des subventions climatiques, rendus plus attractifs par la communauté multilatérale ; (2) le réexamen de l'assistance technique des BMD ; (3) la nécessité pour les NDB de constituer une solide réserve de projets nationaux ; et (4) un appel aux États membres de l'ONU pour qu'ils favorisent un écosystème mondial de banques publiques de développement. Le sommet Finance in Common (FiCS) 2025, qui s'est tenu au Cap, en Afrique du Sud, a été l'occasion de débattre de ces recommandations avant la quatrième conférence des Nations unies sur le financement du développement (FfD4), qui se tiendra à Séville, en Espagne, en 2025.

Mots-clés

Défis environnementaux et climatiques, transitions écologiques et équitables, Objectifs de développement durable (ODD), collaborations entre les NDB et les MDB, Sommet Finance in Common (FiCS), Conférence des Nations unies sur le financement du développement (FfD4)

Introduction

Two global challenges motivate our research on the world's national development banks and their interactions with the world's multilateral development banks. First, the research is motivated by global environmental crisis. Human activity – through the burning of carbon-based energy and the emissions of greenhouse gases – has 'unequivocally caused global warming' (IPCC 2023). Last year, 2024, was tenth year running when global temperatures reached the hottest on record. At the same time an equally serious ecological crisis is unfolding, including the degradation of nature, loss of biodiversity, deforestation, ocean pollution, and other negative impacts. This underscores the need for finance to realize a substantial shift towards addressing these all-encompassing environmental challenges.

Second, the research is also motivated by the global climate finance crisis. Multilateral climate finance ambitions were encapsulated in the 2015 IMF/World Bank 'Billions to Trillions' agenda, prepared to pair with the 2015 Addis Ababa Action Agenda and 2015 Paris Agreement. Significant hopes were placed on private investors resolving the climate challenge, with just a little bit of derisking thanks to public sector support. A decade later, Billions to Trillions' agenda has not delivered. Recent attempts to resuscitate this agenda have also led to some disappointing results. The much-celebrated Glasgow Conference of the Parties (COP) 26 private finance-based GFANZ, the Glasgow Financial Alliance for Net Zero initiative, is effectively scuppered, with the decisive blow being the return of the Trump Presidency.

The highly controversial 'climate finance' COP 29 in Baku heaped on further disappointment for delivering new, additional, and sufficient sustainable climate, biodiversity, and development financing to the global south. The sober reality is, as stated by Secretary General of the United Nations António Guterres, that the international financial architecture has failed 'to support the mobilization of stable and long-term financing at scale for investments needed to combat the climate crisis and achieve the Sustainable Development Goals' (SDGs) (UN 2023). The 2024 United Nations Finance for Sustainable Development Report opening sentence underscores the point (UN FSDR 2024, 1; emphasis added):

Financing for development is at a crossroads. The world is running out of time to achieve the Sustainable Development Goals (SDGs) and prevent catastrophic climate change. Only an urgent, large-scale and sustainable investment push can help us achieve these agendas. Despite efforts to advance development financing across the action areas of the financing for development agenda over the last two decades, countries are today faced with large unmet financing needs and a financial architecture unable to close these gaps in an ever more crisis-prone world. The gap between our development aspirations and the financing dedicated to meet them has never been so large.

The global climate crisis persists as we face a worsening global crisis of climate finance. The Fourth Finance for Development Conference (FfD4) in 2025 in Spain is an opportunity for the world's leaders, public development banks, and civil society to respond to the challenges.

The results of our research provide evidence-informed recommendations for viable and achievable ways that the world's public development banks can help to confront the global climate and climate finance crises – and to do so in ways that are socially just and equitable.

Our core research question is: **What do national development banks (NDBs) need from multilateral development banks (MDBs) to help foster a more catalytic public development bank response to financing the 2030 SDGs at the pace, scale, and on the terms appropriate for global green and just transitions?**

By pursuing this question, the research contributes to understandings of how to optimize potential collaborations among globally ubiquitous and powerful public development banks to better serve the SDGs objectives and to confront the climate finance crisis in socially just ways (see Box 1).

Box 1. The Finance in Common Summit and Public Development Banks

The Finance in Common Summit (FiCS) is a global initiative aimed at enhancing the role of public development banks in financing sustainable development. Launched in 2020, the FiCS was designed to foster collaboration and knowledge sharing among public financial institutions, with the aim of harnessing their individual and collective capacity to mobilize capital from both public and private sources.

Its primary objective is to increase the financial resources available to support the transition toward sustainable development. Its core objective is to align financial flows with the achievement of the United Nations 2030 Sustainable Development Goals (SDGs) and the 2015 Paris Climate Agreement.

Source: the PDBs Database (2024).

In 2024, the FiCS represents over 530 public development banks (at the multilateral, regional, national, and subnational scales) across 155 countries. Taken together, these public banks manage assets worth over US$23 trillion and invest annually around US$2.5 trillion, or about 10 per cent of global investment.

Four key points of evidence emerge on how public development banks collaborate. One, NDB collaborations with MDBs assume a variety of forms that depend on the specificities of each institution in terms of scale, size, mandate, and geographical scope. Two, gaining access to lines of credit denominated in hard currencies, like the US dollar or Euro, is a notable form of financial collaboration. Three, technical assistance and non-financial relationships are equally important forms of NDB and MDB collaboration. Four, NDBs collaborate with MDBs to improve their access to global climate financial resources.

Three conclusions follow from our research on current NDB collaborations with the MDBs. First, NDB financial interactions with the MDBs (and multilateral funds) are intensely risk and cost sensitive while also often being too complex, too slow, and too insensitive to domestic circumstances. Second, NDBs derive tangible benefits from MDB technical assistance (both financial and non-financial), particularly in the realm of climate finance. Third, NDBs have a sense of being unequal and subordinate partners to the MDBs and a sense that NDB understandings of local conditions are not fully appreciated by the MDBs.

These conclusions gives rise to four recommendations. These include (1) the expansion of dramatically more attractive climate financing and grants by the multilateral community; (2) the rethinking of MDB technical assistance; (3) the need for NDBs to build a robust pipeline of domestic projects; and (4) a call for UN Member States to foster a global public development bank ecosystem.

The Finance in Common Summit (FiCS) 2025 in Cape Town, South Africa (26 to 28 February), held in advance of the 2025 FfD4 Conference, aimed to advance policy solutions for the international finance architecture for boosting the SDGs and climate finance. The FiCS sought better understandings of the interactions and collaborations between multilateral,

national, and sub-national public development banks in different continents from the point of view of the NDBs. The FiCS wanted to understand how to strengthen the linkages among public development banks to catalyze public-public collaborations in the financing of green and just transitions. Therein, public development banks are recognized as promising alternatives to the crisis of climate finance. Uniquely, public development banks can be tasked with being policy-maximizing institutions rather than profit-maximizing entities. This research paper was presented to the FiCS in Cape Town on our way to the 2025 FfD4 Conference in Sevilla, Spain.

Our research report is structured as follows. Section 2 shares, in brief, the research context for the study. Section 3 details our research objectives, scope, questions, and methods. Section 4 describes the world of public banks and their climate financing. Section 5 shares results on NDB climate commitments. Sections 6 answers the core question of 'how do public development banks collaborate?' Section 7 provides our conclusions and recommendations on public development bank financing for green and just transitions, which is followed by a short conclusion.

1. The Research Context in Brief

Since at least the early 1900s, national development banks (NDBs) have collaborated with other public banks within their national borders to co-finance domestic economic and development priorities (Aghion 1999; AGPB 2014; Clifton *et al.* 2021; Marois 2021; Mertens *et al.* 2021; Griffith-Jones *et al.* 2023). Public bank co-financing in countries north and south was often critical to the realization of national developmental projects (Marois 2012; Scherrer 2017; Cassell 2021). When northern NDBs took on international development and foreign trade functions in the post-World War Two era, bilateral collaborations among public development banks began to emerge as foreign lenders sought domestic partners. The emergence of the MDBs in the postwar period, moreover, provided scope for greater international development interaction, as well as controversy (Kentikelenis and Babb 2021; Clifton *et al.* 2021).

Yet the actual case study histories of public development bank collaborations are relatively unknown and under-explored. We can anticipate that the collaborations that have emerged among public development banks have been driven by global political and economic dimensions – dimensions that evolve and shift according to historical circumstances. The global development literature recognizes the interplay of high-level economic priorities, domestic developmental trajectories, and geopolitical dimensions in shaping the political economic structures of both the postwar era of nationally focused development strategies and the post-1980s era of globalization and financialization (Leys 1996; Marois 2012; Barrowclough and Gottschalk 2018; O'Brien and Williams 2024). There is substantial research on the unequal and structural financial power of global North-dominated institutions, like the World Bank and IMF, and their capacity to enforce structural adjustment programmes on developing countries and poorer nations (Strange 1994/1988; Altvater *et al.* 1991; Soederberg 2004 & 2005; Bracking 2016). The post-1980s neoliberal policies of market-oriented structural adjustment programmes, privatization, and liberalization dominated multilateral development finance priorities and policies (see Balassa 1982; World Bank 2001). This often transpired with little to no accountability for the conditionalities placed on financial supports for the global South (Pauly 1998; Balkan and Savran 2002).

Given the historical legacy of structural adjustment programs, there are contemporary governmental and civil society demands to strengthen the accountability and inclusiveness of public development banks, MDBs and NDBs alike (Antonowicz-Cyglicka *et al.* 2020; CEE Bankwatch Network 2021; Sward and Le Lannou 2024; Wright 2024; cf. UN FSDR 2024). Academics point out that new collaborations among public development banks have to be shaped by commitments to being both green and just in order to be effective (Ray *et al.*

2020; Marois 2021). The UN Human Rights Council Expert Mechanism on the Right to Development March 2025 Draft Report underscores how climate justice must be at the heart of climate action responses (HRC 2025). The 2024 United Nations Finance for Sustainable Development Report clearly states the importance of accountability and governance for achieving just climate action (UN FSDR 2024, 13):

On global governance, despite repeated commitments to increase the voice and representation of developing countries, significant reforms to institutional arrangements have so far not been agreed, and the pace and scale of change, where it has happened, has left many countries dissatisfied.

To document and understand ongoing changes in public development banks, a growing literature has emerged in the last decade. This public development bank literature explores topics of sustainable development, national development, globalisation and financialisation, geopolitics, sectoral investments, and a range of country case studies (Scherrer 2017; McDonald *et al.* 2020; Clifton et al 2021; Marois 2021; Mertens *et al.* 2021; Marois and McDonald 2023; Griffith-Jones *et al.* 2023; Marois 2024; Abor and Ofori-Sasu 2024; Marois *et al.* 2025). A small but growing number of studies and reports have begun to explore MDBs and their relationships with NDBs, including how MDBs finance NDBs (concessional loans, non-concessional loans, grants, equity, etc.), types of non-financial services provided and interactions experienced (advisory services, joint research, high-level meetings, and so on), and the types of barriers to collaboration (exchange rate risks, governance systems, uneven reporting) (Griffith-Jones *et al.* 2020; Marois *et al.* 2023; Chin *et al.* 2023; Mariotti *et al.* 2025). However, research on how public development banks collaborate – from the viewpoint of the NDBs – remains effectively unknown (cf. IDFC 2023). This study begins to fill this knowledge gap by focusing on NDBs and how they understand their collaborations with MDBs.

2. Research Objectives, Scope, Questions, and Methods

Our category of analysis – 'public development banks' – includes multilateral development banks (MDBs) as well as national and sub-national development banks (NDBs). Public development banks are numerous and financially powerful, with substantial institutional capacity at the global and local levels. According to Finance in Common data, there are more than 530 multilateral, national, and sub-national public development banks worldwide (the PDBs Database, 2024). These over 530 public development banks have assets exceeding US$23 trillion, which accounts for about 10 per cent of annual investments globally.

Our research objective is to further identify and understand the relationships between NDBs and MDBs. This study follows from a 2022/2023 study that focused on MDB relationships with NDBs, from the perspective of the MDBs (Marois *et al.* 2023). In this earlier study we mapped MDB to NDB relationships through a questionnaire survey distributed to nine MDBs from across Africa and the Middle East, Central and South America (plus Mexico), Europe, and Asia. The survey was complemented by a desktop review of the available MDB annual reports published between 2017 to 2022.

This new study reverses perspectives by focusing on NDB relationships with MDBs. We ask what the NDBs need from the MDBs to help them foster a more catalytic public development bank response to financing the 2030 SDGs at the pace, scale, and on the terms appropriate for global green and just transitions.

Between June and November 2024, we contacted 33 public banks to participate in semi-structured interviews and to respond to the questionnaire. We were able to engage 18 NDBs located across Africa and the Middle East, Asia, Europe, and the Americas (North, Central, and South America) (Table 1). We conducted 18 semi-structured interviews in French, English, and Turkish. Through a mix of one-on-one and group interviews, we involved 40 high-level senior NDB staff. All interviews were conducted online via secure video platform and recorded with written transcripts generated from the discussion. Each interview lasted approximately 45 to 60 minutes and generated about 8000 plus words in written transcript text.

Our questionnaire was co-designed by contributing authors from the Public Banking Project, McMaster University, and the Agence Française de Développement (AFD). The process was iterative, evolving in response to salient feedback from the authors and the public banks. The initial questionnaire deployed was composed of 14 questions and was used in the first two

NDB interviews. In response to feedback and the interview experience, we revised the questionnaire by clarifying wording and by reducing the questions to 12. The revised version was then used to conduct the remaining 16 interviews.

Table 1. National Development Banks Interviewed and Geographical Region

Public Development Banks Respondents	Kind of Public Development Bank	Geographical Region
Development Bank of Southern Africa (DBSA)	Nationally-owned Regional Development Bank	Africa and Middle East
Banque Nationale de Développement Agricole (BNDA)	NDB with mixed national and foreign ownership	Africa and Middle East
Development Bank of Rwanda	NDB with mixed national and foreign ownership	Africa and Middle East
Fonds d'Equipment Communal, Morocco	NDB	Africa and Middle East
Development Bank of Nigeria	NDB with mixed national and foreign ownership	Africa and Middle East
Cities and Villages Development Bank (CVDB) Jordan	NDB, with mixed national and local authority ownership	Africa and Middle East
Development and Investment Bank of Turkey (TKYB)	NDB	Asia
PTSMI Indonesia	NDB	Asia
Bank for Development and Investment of Vietnam	NDB with mixed national and foreign ownership	Asia
ICO Spain	NDB	Europe
KfW	NDB, with mixed national and local authority ownership	Europe

MuniFin	NDB, with mixed national, municipal authority, and public pension fund ownership	Europe
Bpifrance	NDB	Europe
North American Development Bank (NADB)	Bi-National Development Bank	Americas
National Bank of Public Works and Services (Banobras)	NDB	Americas
Development Bank of Minas Gerais	Sub-national Development Bank	Americas
Bancoldex Colombia	NDB	Americas
Findeter Colombia	NDB	Americas

Source: Authors' research. Note: We used the PDBs Database (2024) on PDBs and the BankFocus Database (Moody's Analytics) to confirm public development banks' current structures and shareholders.

The research process followed a specific pattern. Initial outreach to the 33 public banks was by email. Researchers first provided prospective banks with the document (A1) Introduction Letter, which explained the research project and expectations. Upon receiving initial agreement to participate, we sent the documents (A2) Interview Questionnaire and (A3) Consent Form. The A2 Interview Questionnaire included three sections: Phase One Close-Ended Questions; Phase Two Open-ended Questions; and a final General Background Information section. Banks that agreed to be interviewed were asked to fill out the eight Phase One Close-Ended Questions in advance of the online interview to allow more time for the four Phase Two Open-ended Question. We then arranged online video interview dates and times. If interviewees sent in advance responses to Phase One, we reviewed them during the interview. All interviewees are confidential to ensure forthright responses to the questions asked.

The final General Background Information section to the questionnaire included more matter-of-fact data inquiries. These included: (1) the bank's year of establishment, (2) type of bank, (3) total assets, (4) total gross loan portfolio, (5) credit rating, (6) number of employees, (7) funding percentages, (8) bank ownership, (9) represented groups on the board, (10) presence of a profit-making mandate, (11) ROI, (12) ROE, (13) gross revenues, (14) net

surplus/loss, (15) levels of non-performing loans, (16) involved sectors for financing, (17) types of lending, and (18) other financial services offered. Researchers completed these questions using Moody's BankFocus database. Some public banks self-reported the data ahead of interviews via the A2 Interview Questionnaire. To retain consistency and quality of data, researchers compared data self-reported by the banks with Moody's BankFocus and the PDBs Database (2024). The information from this section has been used to supplement, where appropriate, the responses to the first Phase One and Two Questions analysed in this study. The complete background responses have not been included here. The research proposal for this study has been approved by the McMaster University Research Ethics Board (MREB No. 7116).

With the completion of 18 semi-structured interviews in November 2024, researchers assessed the responses. We reflected on the core ideas being shared and on the diversity of public bank interviews to date. At this point, we decided that we had reached data saturation, that is, that we had reached a point in the interview process at which no new themes or concepts were coming from additional interviews. Some clear patterns of NDB needs had emerged. We opted to halt further interviews and to analyse fully the existing results. It is worth noting that researchers explored the use of closed system AI Microsoft Co-Pilot software provided by McMaster University to support analysis of the nearly 200,000 words in narrative text. However, AI character limits (8000-character limit per insertion), question constraints, interview language variations, and inconsistencies in prompt engineering made the use of AI impractical. We were also unwilling to employ open-source AI tools due to security and confidentiality concerns. Researchers decided to analyse all data themselves using an interpretive method to draw out core messages and trends arising from the questionnaires to develop a series of concrete recommendations.

We then published the paper as a Working Paper, which we shared with the 18 NDBs interviewed, for review and verification. The Working Paper was also presented to the community of public development banks at the 2025 Finance in Common Summit in Cape Town, South Africa, in February. Following some minor revisions, updates, and corrections generated from this verification process, we are now publishing the finalized work as a AFD Research Paper.

3. The World of Public Banks and their Climate Financing

Public banks are financial institutions that are located within the public sphere by virtue of controlling public ownership by a government, public authority, or other public enterprise; or according to a legally binding public interest mandate; or through meaningful public governance and control; or by some combination of these factors (Marois 2021; Marois 2022). Public banks encompass a range of public financial institutions, including some non-bank financial institutions (NBFIs), public commercial and universal banks, and public development banks. These financial institutions function according to different operational standards: NBFIs offer specialized financial services (for example, credit, guarantees, leasing, mortgages, insurance of asset management, and so on); public commercial and universal banks hold retail banking licenses to offer daily services; and public development banks often have dedicated policy mandates for either general or specific development and economic policy objectives.

The focus of this research project is on public development banks[1]. The definition of a public development bank has been an object of debate, often leaving confusion regarding their difference with other financial institutions. The definition we adopt is that of the Finance in Common Summit: for a bank to be defined as a public development bank, it must be an independent legal entity with a proactive public policy-oriented mandate. The funding for the banks, moreover, must go beyond periodic budget transfers. Finally, the government should (in general) exert a controlling interest over the policy objectives of the bank (Xu *et al.* 2021).

[1] While not the focus of our research, public commercial and universal banks are numerous and powerful. They should have a greater role in addressing the global crisis of climate finance. For example, public commercial banks, like the Banco de la Nación Argentina, have geographically dispersed branch networks, accept deposits from and provide loans to households, small- and medium-sized businesses, corporations, and public authorities. Each of these sectors have a place in sustainable development. Public universal banks, such as Caixa Econômica Federal in Brazil and Land Bank of the Philippines, perform the activities of commercial banks, but they also provide additional investment and development services. Distinctively, these public commercial and universal banks (like private commercial banks) engage in money creation, that is, they can lend out capital in excess of what they hold in reserve. Public commercial and universal banks will compete with other public and private commercial banks. According the 2024 BankFocus online database, there are 498 public commercial and universal banks worldwide with combined assets of $34 trillion (Güngen and Marois 2025). When you combine the world's public development banks with other public banks and financial institutions, 2024 BankFocus data shows 914 public banks worldwide with combined assets of US$55 trillion (Güngen and Marois, 2024).

Our research on public development banks includes institutions at the sub-national, national, and multilateral scales. Sub-national public development banks, like the BDMG in Brazil in this study or the North Rhine-Westphalia Bank in Germany, are owned by local, regional, or provincial authorities and mainly focus on their communities by contributing to local developmental projects. National public development banks (NDBs), like TKYB Türkiye in this study or the NWB Dutch Water Bank, are typically owned by national or federal authorities, but other public and private entities might also own a part of these public financial institutions. Multilateral development banks (MDBs), like the World Bank or the Caribbean Development Bank, are typically majority owned by nation-state members. Some MDBs have global operations while others focus on specific continents or regions.

Unlike their public commercial and universal counterparts, public development banks do not usually lend directly to individual households but instead tend to lend to larger institutions and organizations, governments and municipalities, and to other retail banks and financial institutions. Public development banks, nonetheless, may have specializations or targeted direct lending programs for micro-, small-, and medium-sized enterprise promotion (like the Business Development Bank of Canada). Many public development banks focus on infrastructure, export-imports, agriculture, municipal development, and so on. Public development banks do not typically engage in money creation. Rather, public development banks rely more on accessing capital in domestic and global markets as their primary source of loanable capital. In certain cases, like the Sistema de Banca para el Desarrollo (Development Bank System) in Costa Rica and the rural development bank NABARD in India, the banks benefit from required deposits from the countries private and public commercial banks as sources of capital (Marois 2021; Spronk at al. 2025).

Table 2. Global Climate Finance by Household, Private, and Public Sources, US$ Billions

Source	2022	2021	2020	2019	2018	2017
Households/Individuals	**222**	**147**	**59**	**51**	**65**	**41**
Private Investors	**463**	**418**	**274**	**252**	**215**	**227**
Commercial Financial Institutions	247	223	128	116	50	46
Corporations	203	182	132	118	147	165
Funds	7	5	3	8	10	6
Institutional investors	5	7	5	3	8	8
Unknown	1	0.3	7	7		2
Public Institutions	**730**	**549**	**332**	**337**	**261**	**340**
Bilateral Development Financial Institutions	38	27	25	23	26	18
Export Credit Agency	2	2	1	1	3	2
Government	106	93	30	35	35	30
Multilateral Climate Funds	2	4	4	4	3	3
Multilateral Development Financial Institutions	104	82	75	62	58	56
National Development Financial Institutions	268	209	130	160	94	174
Public Funds	0.1	0.3	2	2	2	2
State-owned Enterprises	133	88	13	12	23	26
State-owned Financial Institutions	77	44	52	38	18	30
Total	**1415**	**1114**	**664**	**639**	**540**	**608**

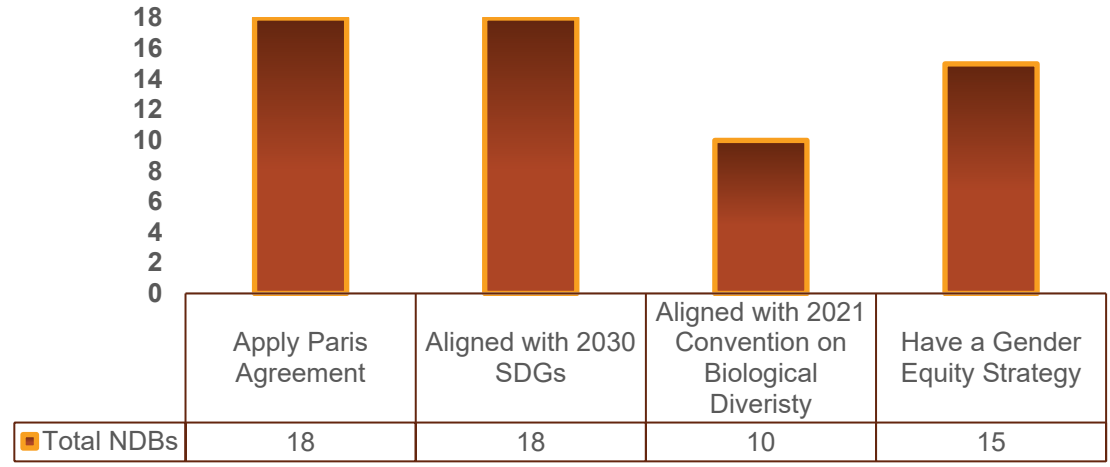
Source: CPI 2024a, Global Landscape of Climate Finance database, updated 12/01/2024.

Public development banks are at the forefront of global climate financing, together with other public institutions (Table 2). In 2022, for example, public institutions provided more than half of all tracked global climate financing. Therein, public development banks and public financial institutions (so, excluding direct government and state-owned enterprises) provided about two thirds of all public financing, which is still more than all private investors combined in 2024. This highlights what UNCTAD reports in its annual *Trade and Development Report*, namely, that the private sector has been slow to deliver on climate finance even after more than a decade of repeated (voluntary) commitments (TDR 2023). The TDR goes on to identify that public development banks are the super climate financiers in middle- and low-income countries: of the $74 billion in climate funds delivered in 2020 in these regions, 87 per cent came from public banks and public co-financiers (TDR 2023, 147-148).

4. National Development Bank Climate Commitments

Following the 2015 Addis Ababa Action Agenda (AAAA 2015) and the 2015 Paris Agreement, national development banks (NDBs) and multilateral development banks (MDBs) have not only stepped up their climate financing amounts (Table 2) but also their climate policies and commitments (Graph 1) (cf. Marodon 2022; Dalhuijsen et al 2023; Marois *et al.* 2023; Xu *et al.* 2023; CPI 2024b). Still, public development bank climate policy commitments remain uneven and inconsistent, as evidenced in our 2023 report on MDB and NDB collaborations (see Marois et al. 2023). Public development banks do not yet have a standardized framework for monitoring their climate-related financing and sustainable development loans, despite multilateral commitments to advance in this area (Bhandary 2022; Marois *et al.* 2023; UN FSDR 2024). The Centre for Global Development reform tracker affirms continuing inconsistencies in tracked climate commitments and climate mandates among the multilateral development banks (CGD 2024).

Graph 1.
Climate and Gender Policy Alignments:
Responses from 18 NDBs



Source: Authors' research.

All 18 NDBs responded that they apply the 2015 Paris Agreement, either within their institution or as part of national commitments (Graph 1). In-practice, the application of the Paris Agreement, however, is a multifaceted and ongoing process. Public development banks are in a process of gradual reform that involves creating new strategies, policy frameworks, and impact assessment methodologies.

For example, although all the NDBs responded to the question regarding the application of the Paris Agreement recommendations positively, their answers to the subsequent question on the specific criteria and accountability requirements varied significantly. The majority of NDB representatives expressed that their bank did not adhere to specific, formalized climate criteria or accountability requirements regarding Paris Agreement recommendations. One NDB stated that climate reporting requirements were not part of its commitment. Three NDBs skipped the subsequent question on specific criteria and accountability requirements while ten NDBs either referred to national climate strategies or sustainability agendas in more general terms. Only four NDBs indicated that they use specific benchmarks or reporting standards. The results back up previous research by Climate Policy Initiative and E3G, which stressed divergence of public development bank pathways towards Paris Alignment. Accordingly, the NDBs "show considerable variance in accounting for and setting targets for climate finance, though many seek alignment with their countries' nationally determined contributions" (Chin *et al.* 2023, 11). The NDBs are applying the Paris Agreement, but it is very much an uneven work in progress.

All 18 NDBs also reported alignment with the UN 2030 SDGs, either within the institution or as part of national commitments. However, the NDBs do not align with all of 17 SDGs. Instead, the banks select specific SDGs to target. This is because NDBs have different mandates, institutional foci, and national priorities, which translate into prioritising certain SDGs over others. Logically, not every NDB can address all 17 SDGs meaningfully. As with the Paris Agreement, so does the source of SDG alignment differ among NDBs. There are NDBs that declare specific SDG-alignment in their annual reports according to internal policies and there are NDBs that defer to national SDG strategy documents. The results corroborate previous MDB to NDB research that found that SDG-aligned loan tracking is far from systematic (Marois *et al.* 2023).

Our results suggest that there is a need for further research to explore whether the alignment of public development banks with the SDGs or the Paris Agreement is more effectively achieved through internal policy frameworks or through integration with national climate commitments. Such research could further assess whether one approach demonstrates greater efficacy than the other in fostering climate finance impact and progress.

The strong NDB commitments to the SDGs and the Paris Agreement do not extend to the 2021 Convention on Biological Diversity. Only 10 NDBs reported efforts to align with the Convention, indicating that they have taken steps to integrate its principles into their operations.

Alignment with the Convention implies the recognition, conservation, and sustainable approach to biodiversity, as well as active contributions to the restoration of natural ecosystems. In terms of having gender equity strategies, 15 of 18 NDBs responded positively. That said, the content and meaning of what the strategies entailed varied significantly (some were more internal human resource policies while others also focused on programme lending).

Our research results on NDB climate commitments show progress in alignment with multilateral agreements. This is positive, but these commitments at times remain at a high-level of generality. NDBs require more consistent and trackable alignment through some form of standardized methodologies and reporting frameworks (see UN FSDR 2024). Yet, as NDB responses emphasize below on the need for sensitivity to local contexts and realities, reporting requirements also need to incorporate a degree of flexibility to accommodate socio-economic differences among countries and regions (cf. Ehlers *et al.* 2021). Simple, comparable, yet context-sensitive SDG-aligned metrics can help public development banks deliver more and better climate finance.

Research suggests, moreover, that NDB alignment (and appropriate reporting requirements) needs doing quickly. Climate Policy Initiative research argues that public banks that set climate targets earlier (looking at the period of 2016 to 2022) continue to increase their commitments; by contrast, public banks that have taken limited action during the same period have stagnated in their climate ambitions (Chin *et al.* 2023; CPI 2024b). NDB adoption of appropriate metrics can help to accelerate impact-oriented climate financing among public development banks.

5. How do public development banks collaborate?

Public development banks collaborate with one another, and they have in one form or another for decades. This we know. Yet the details of their collaborations are not well known or understood. There is unusually little research directed at understanding how or why national development banks (NDBs) collaborate with multilateral development banks (MDBs) and foreign NDBs. This study fills in some of the gaps in our knowledge.

Four key points of evidence emerge on how public development banks collaborate. One, NDB collaborations with MDBs assume a variety of forms that depend on the specificities of each institution in terms of scale, size, mandate, and geographical scope. Two, gaining access to lines of credit denominated in hard currencies, like the US dollar or Euro, is a notable form of financial collaboration. Three, technical assistance and non-financial relationships are important forms of NDB and MDB collaboration. Four, NDBs collaborate with MDBs to improve their access to global climate financial resources.

5.1 NDB collaborations with MDBs assume a variety of forms that depend on the specificities of each institution in terms of scale, size, mandate, and geographical scope

Public development banking institutions collaborate, but their collaborations are not only between multilateral and national scales of public banks. More and different institutional scales are involved. Of the 18 NDB respondents, 17 affirm that they collaborate with MDBs and foreign NDBs (see Table 3). As Table 1 illustrated earlier, the NDBs comprise a heterogeneous grouping.

The 17 NDBs, moreover, collaborate with a wide range of MDBs and foreign NDBs (Table 3). For example, as expected, the NDB collaborations include the World Bank Group and important regional MDBs like the African Development Bank, European Investment Bank (EIB), Asian Development Bank, and Inter-American Development Bank (IDB). There too are lesser-known and newer MDBs involved, like the Asian Infrastructure Investment Bank, the Central American Bank for Economic Integration (CABEI), the Arab Bank for Economic Development in Africa (BADEA), the Council of Europe Development Bank, the West African Development Bank (BOAD) and so on. There is also some regional character to NDB and MDB collaborations, such as within Africa, the Americas, Asia, Europe, and the Middle East (cf. Marois *et al.* 2023).

Table 3. NDBs that Collaborate with MDBs and Foreign NDBs, 2024

NDBs that Collaborate with MDBs*	MDB Collaborations	Foreign NDB Collaborations
Bancoldex	WB-MIGA, CAF, IDB	KfW, AFD
Banobras	IDB, WB, CAF	KfW, NADB
BDMG	AFD, AIIB, EIB, IDB, CAF, FONPLATA, IFC, NewDB	KfW/GIZ
BIDV	WB, ADB, EIB	KfW, AFD, JBIC
BNDA	BOAD	AFD, KfW
Bpifrance	IDB, EIB, AfDB, ADB, WB, IsDB, EBID	KfW, CDP and European NDBs that are part of multi-institutional networks
BRD	AfDB, EADB, TDB, EIB, BADEA, Afreximbank, BDEGL, WB	SIDA, AFD, KfW
CVDB	WB, EIB	AFD, KFAED
DBSA	AfDB, BADEA, WB, EIB, IFC, NewDB, BOAD, TDB, AFC	AFD, KfW
DBN	WB, AfDB, EIB	AFD, KfW
FEC	WB, AfDB	AFD
Findeter	WB, IDB	KfW, AFD
ICO	EIB, EBRD, CEB, IADB, CAF, CABEI, IFC	European NDBs (for the achievement of EU objectives)
KfW	WB, EIB, EBRD, ADB, AfDB are the prominent ones.	European NDBs through JEFIC platform (such as AFD, AECID and CDP) are the prominent ones.
MuniFin	No direct relation	No direct relation
NADB	IDB	KfW, AFD
PT SMI	WB, ADB, AIIB, IsDB, EIB	KfW, AFD, Development Finance Institutions from Denmark, FMO
TKYB	WB, EIB, IsDB, AIIB	DBJ, CDB, KfW, AFD

Source: Authors' research. *See Appendix A for the full bank names of the acronyms used.

The research process brought out the importance of NDB collaborations with foreign NDBs and development finance institutions (Table 3). This finding led us to revise the questionnaire after two initial interviews. It became immediately evident that NDBs saw international collaborations with MDBs and foreign NDBs in a similar category. NDB respondents lump them together in responses. The questionnaire results therefore include well-known northern institutions, like the German KfW and the French Development Agency (AFD), but also a range of smaller northern development finance institutions, like the Swedish International Development Agency (SIDA), as well as globally-active national institutions, like the Kuwait Fund for Arab Economic Development and the China Development Bank.

It is worth noting one NDB, MuniFin of Finland, is an outlier among the 18 NDB entities in this report. MuniFin responded that it does not collaborate with MDBs: it neither needs to nor wants to necessarily. In the interview, MuniFin Senior Staff mentioned that the bank could borrow from MDBs and that there were no legal restrictions on collaborating. Simply, it is not what MuniFin needs: "We don't find it very efficient and effective because we have direct access to capital markets with the support of a good credit rating." (MuniFin, Senior Staff, 12 November 2024). MuniFin also commented that its approach is in line with what similar local government funding agencies in the Nordic regions do for funding (for more on the Nordic model of municipal development banks, see Juuti *et al.* 2022).

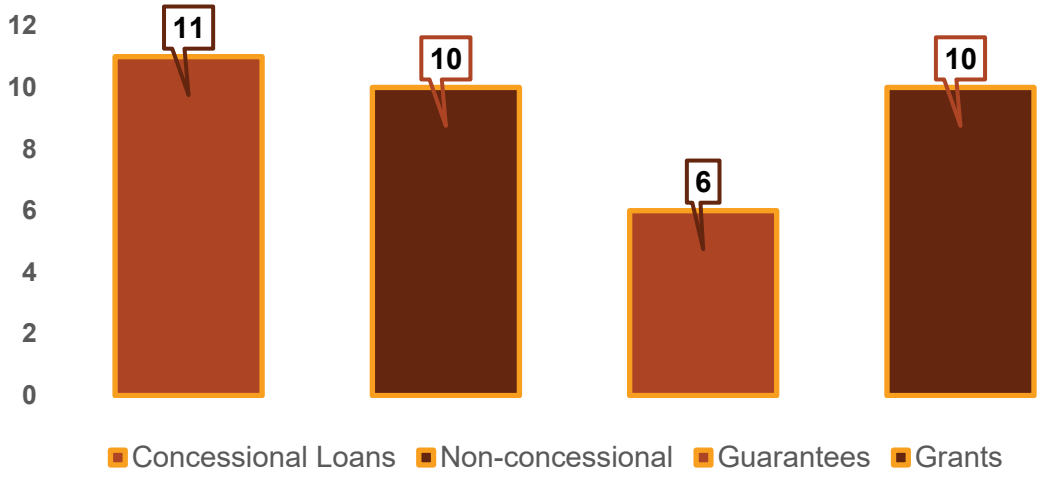
For the 17 NDB respondents that do collaborate with MDBs, there is variation in operational significance. For example, Banobras raises almost all of its funds in domestic financial markets, so doesn't need financial support; in some cases, MDB technical assistance could be important. By contrast, BNDA Mali states that its "primary requirement from the MDBs is financial support, particularly in the identification of long-term resources" (Senior Staff, 26 June 2024). So too with BDMG Brazil, which is eager to increase MDB financing to "support a greater number of renewable energy, energy efficiency, resilience, and other sustainable initiatives" (Senior Staff, 27 September 2024).

There are also many types of financial collaborations among NDBs and MDBs. While NDBs collaborate widely with MDBs, there is no single or standard form of financial collaboration among NDBs and MDBs. In general terms, financial cooperation among public development banks encompasses both inter-bank financing and project co-financing (*cf.* Volz *et al.* 2024). Inter-bank financing, which involves utilizing diverse financial instruments, is prevalent among public development banks operating at different geographical scales. NDBs with cross-border mandates, such as the AFD, KfW, and other development finance institutions that are channeling funds to developing economies, frequently rely on local counterparts to receive funds. In such arrangements, the assets of one institution become the liabilities of the other. The regional MDBs also directly fund NDBs, yet MDBs often fulfill this financing role through sovereign lending to the national government, as necessitated by the lenders'

mandates. At the same time, co-financing (a very common form of cooperation), allows public development banks to "join forces" to finance complex, large-scale, or strategic projects in collaboration.

For the 17 NDB respondents that engage MDBs and foreign NDBs, the main types of collaborations identified by the NDB respondents include non-concessional loans, concessional loans, grants, and guarantees, alongside equity and a few other types of collaboration (Graph 2).

Graph 2.
Main Types of NDB and MDB Financial Collaborations:
Responses from 18 NDBs



Source: Authors' research.

Non-concessional loans or standard loans do not have policy-driven advantageous interest rates attached to them. These loans are provided on standard market-based terms. Of the 17 NDB respondents, 10 stated that they take **non-concessional loans** from MDBs and foreign NDBs. **Concessional loans** from MDBs and foreign NDBs were identified by 11 NDBs as a key type of financial collaboration. Concessional loans are loans with lower-than-market interest rates, making them cheaper. These loans are subsidized and may come with specific eligibility criteria or requirements. In some cases, standard non-concessional loans may be interwoven with **grants** (non-repayable funding), giving the financial transaction a concessional character. When asked about their specific financial relationships, 10 respondents identified grants as among the main types of financial support provided by MDBs and foreign NDBs.

While concessional and non-concessional loans were identified as the predominant financial collaborations, the NDBs identified scope for taking on specific investment loans or designated credit lines. MDBs and other development finance institutions can extend loans to sovereign governments, public authorities, or an assigned public agency with explicit government guarantees. NDBs can disperse **sovereign-backed loans** and contract their own sovereign-backed obligations. NDBs also borrow from MDBs and foreign NDBs without explicit sovereign guarantees, which are called **non-sovereign-backed loans**.

Another type of financial collaboration is the provision of **guarantees** by MDBs to NDBs. By extending guarantees, MDBs can lower the borrowing cost of capital for NDBs (see Volz and Lee 2024; Volz *et al.* 2024; Mariotti *et al.* 2025). These undertakings help NDBs access additional capital more affordably than without the MDB guarantee. Six respondents identified guarantees as among the main types of relationships they have with MDBs and foreign NDBs. Five NDBs are on the receiving side of guarantees, while one NDB underlined that it collaborated with other banks in co-financing projects which included guarantees. A guarantee fund can cover losses for a part of or for the whole loan in case of financial distress, which lowers the risk for counterparties. Lower costs can help NDBs extend longer-term loans to priority sectors. Other forms of financial collaboration raised by NDB respondents include **equity** contributions, **co-financing** of projects, **special-purpose loans**, and **result-based loan programmes**.

In this study, we did not track the monetary size of NDB and MDB financial interactions. However, data from the 2023 report shows that the size of MDB and NDB collaborations are modest compared to the combined financial capacity of these institutions (Marois *et al.* 2023). The 2023 report also showed that MDB to NDB collaborations are uneven among regions. Other studies have revealed similar patterns (Chin *et al.* 2023; Volz *et al.* 2024). While there may be some growth in financial flows, we do not anticipate a massive shift upwards in flows since 2022/23. There remains the need for MDBs and NDBs to systematically track flows of capital.

Box 2. In the Words of NDBs: Accommodating for Local Contexts

> "Our constraints in these negotiations are driven by the requirements of our funders. For instance, in the context of procurement, if we are in an international framework that does not align with the national framework, negotiations will be challenging. However, when a funder demonstrates understanding of the situation and aligns with the expected trajectory of our projects, negotiations can be productive."
>
> Fonds d'Equipment Communal, Morocco, Senior Staff. 22 October 2024.

"Things like providing wastewater collection and treatment that doesn't use renewable energy, that doesn't capture methane, etcetera – it's good for the environment, it's good for the communities, but maybe not aligned with some taxonomy. So that's another challenge."

North American Development Bank, Senior Staff. 11 October 2024.

Our research also revealed an important qualitative aspect of NDB and MDB collaborations. Specifically, the NDBs identified the need of **MDBs to be more cognisant and accommodating to the diverse regional and local economic and cultural contexts of NDBs in the global south**. Global south NDBs want to be treated as equal and valued partners in financing climate action. For example, CVDB Jordan Senior Staff suggested that climate finance from the MDBs could be more flexible and contextualised to local, regional, and nation-state operating contexts, such as, but not limited to, Sukuk Bonds. The CVDB Jordan Senior Staff further noted that MDBs often develop financing mechanisms that cater to the widest audience and therefore "impose conditions and requirements not applicable to the Jordan context." (18 October 2024) Another global south NDB Senior Staff member (which we will keep confidential in this instance) stated: "... they may see us as their little brothers because they know we don't have the institutional capacities that they do in terms of technical systems because they do hire technical staff, right."

NDBs and MDBs collaborate, and significantly so. Yet there is real diversity in the institutional types, geographical scales, financial relationships, and character of these collaborations of which public development banks, north and south, need to be mindful.

5.2 Gaining access gaining access to lines of credit denominated in hard currencies, like the US dollar or Euro, is a notable form of financial collaboration. But there are key considerations

Wider research and the NDB respondents alike emphasize not only that NDBs deal significantly in local currencies, but that it is often more advantageous to deal in local currencies given some of the economic costs and risks associated with foreign currency transactions (see Bonizzi *et al.* 2024; Volz *et al.* 2024; Schclarek and Xu 2022a; Schclarek and Xu 2022b). Still, there are, in general, good reasons to have access to foreign currency, such as to facilitate international transactions and trade deals; to enable long-term investments in a stable currency; and to service external debts.

The 14 global south NDB respondents were the ones primarily interested in gaining access to hard currencies. Respondents noted that access to foreign currencies enabled their NDB to make loans domestically in hard currencies and, relatedly, to respond to customer demands for foreign currency financing. By gaining access to hard currencies through the MDBs, the NDBs were able to capture domestic investment opportunities that they could not have otherwise. According to BDMG Senior Staff, without its foreign currency capacity, it would have been unable to finance certain projects, which would have then gone to private banks, either foreign or domestic. TKYB Türkiye Senior Staff note that hard currency capacity is important to support and establish specific types of new projects that would, given the NDB foreign currency seed funding, then attract more foreign financing at a later stage of progress. PT SMI Indonesia, too, identified foreign currency access as having specific applications, such as in the electricity sector.

It is not the case that all global south NDBs need to or are interested in securing *more* hard currency loans from the MDBs or foreign NDBs. The 14 global south NDBs deal mostly in domestic currencies and in domestic debt. There was no universal agreement on a *need to increase* foreign currency obligations and, in doing so, take on the associated costs and risks.

For those NDBs seeking some increase (although typically modest increase), domestic policy limitations were also identified. Specifically, in cases where NDBs wished to increase foreign currency holdings, national government hard borrowing ceilings presented a limit. According to Banobras Senior Staff (11 July 2024), "...some of the most important reasons in order to get this [foreign] funding is that we are inside the federal government strategy in terms of contracting foreign currency loans, because they [the government] are very carefully measuring how the country is exposed to this kind of risks." This is one key consideration.

This foreign currency access type of NDB to MDB relationship does not apply to all NDBs. NDBs in Europe, specifically, MuniFin, KfW, Bpifrance, and ICO, deal predominantly in their own hard currency, the Euro, for which there is no need to engage with European MDBs. Our research shows, however, that this does not exclude, by any means, European NDBs collaborating with other European NDBs and MDBs (*cf*. Marois *et al.* 2023). Furthermore, should European NDBs want US dollars, for example, they can directly raise these directly in international markets. This is another consideration.

There is a final, perhaps most significant, key consideration vis-à-vis gaining access to foreign currencies: cost and risk sensitivity. Of the 14 NDB global south respondents engaging MDBs for foreign currency access, all 14 signaled that the financial relationship is intensely cost and risk sensitive. Global south NDBs are highly sensitive to the full spectrum of cost and risk considerations when deciding to access, or not, MDB loans (be they foreign currency or otherwise). If deemed too costly or risky, the cost-benefit calculus prevents NDBs from using MDB resources.

Box 3. In the Words of Global South NDBs: Accessing MDB Hard Currency Loans

- ◊ "Given that this is confidential, I must tell you that sometimes it doesn't make a whole lot of sense for us to get funded from another development bank and then for us to fund projects, because we can go to the markets ourselves, get a similar price and more flexibility with less reporting and all that."
- ◊ "The main barrier to get multilateral funding is the, you know, the cost-benefit analysis that we face when we compare this with our traditional funding sources from local or foreign banks."
- ◊ "It's important that the cost of these funds and the manner in which they are provided in terms of exchange rates is conducive. Because if it's too expensive, and in foreign currency, then all we are doing is just burdening the fiscals."
- ◊ "People expect cheaper financing – that you can't offer."
- ◊ "If they want to increase the climate financing, then they need to make it better conditions, cheaper, right?"
- ◊ "So the real impediment, I think, is how to access truly concessional, truly concessional green financing, and we haven't quite figured that out."

Source: NDB respondents, 2024. The respondents are kept confidential due to the sensitive nature of the responses.

For example, according to Senior Staff of TKYB Türkiye, the bank borrows long-term from MDBs, but it must always be cautious of the terms since the bank's task is "to create affordable resources with proper terms and conditions" (11 November 2024). Relatedly, if the MDB loans do not allow the NDB to compete with other financial institutions, then the NDB will not take on MDB obligations. In the words of Senior Staff at Bancoldex Colombia, "from the financial standpoint… the rates are everything, the cost of the funds. If the costs are not that

low, then when we do the [conversion], then we are not competitive with the market" (15 November 2024). The costs considered relate to the information, conditions, and reporting required by the MDBs: "that's textbook … you know what, the other commercial bank from around the corner will give us just a bit higher rate, but I don't need to fulfill any of the requested information that you're asking me to give you out. So that is where we say there needs to be a balance and flexibility." (Bancoldex Senior Staff. 15 November 2024)

5.3 Technical assistance and non-financial relationships are also important forms of NDB and MDB collaboration

There is broad recognition that NDBs receive technical assistance and actively participate in a range of non-financial relationships with MDBs and foreign NDBs (Cárdenas *et al.* 2020; Griffith-Jones *et al.* 2020). These include strategic and operational coordination through project preparation and monitoring; high-level and technical discussions; advisory services; knowledge sharing; joint research; and the development of standardized tools, methodologies, and evaluation criteria. The collaborations are supported by formal and informal mechanisms: it can be a component of a financial obligation or it can take place one-on-one, in the context of membership associations, and through voluntary participation to working groups (such as the Thematic Coalitions formed within the FICS, for example, the Water Finance Coalition).

Of the 17 respondents that engage with MDBs and foreign NDBs, 16 NDBs identified technical assistance as forming part of their relationships with MDBs. However, for the 14 global south NDB respondents, technical assistance was identified as a *cornerstone* of collaboration with the MDBs (for European NDBs, MDB technical assistance was less critical or non-existent). In certain cases, global south NDB respondents suggested that technical assistance is as or sometimes even more important than direct financial relationships. For example, Senior Staff at the Development Bank of Nigeria (28 October 2024) noted that the most promising aspect of collaboration with MDBs is the "ability to attract funding for climate finance and technical assistance to upskill financial institutions in this area". Here the technical assistance received usually comes in the form of grants, which the DBN then uses to support partner financial institutions or their beneficiaries. The DBN identified the need to expand MDB technical assistance in order to grow climate finance support, monitoring, and assessment, including carbon emissions tracking.

More broadly, NDBs recognised positively MDB technical assistance for project feasibility studies, planning, execution, and monitoring capabilities. This is justified by the growing demands of lenders to conduct proper environmental and climate impact assessments that follow international standards. That is, MDBs can accompany NDB decision-making and project investment monitoring and impact assessments, thus bolstering NDB climate capacity. In this way, MDB capacity-building, training, and knowledge transfer can strengthen NDBs as domestic public institutions. When done properly and supported by national governments, these non-financial relationships can empower NDBs and lead to more effective economic and climate development outcomes. The recently announced MDB support for country platforms to support climate action should foster such collaborations with NDBs (MDB Statement 2024b). For the NDB and MDB relationships to be truly collaborative and able to foster just transitions, attention needs to be paid to civil society concerns over how north-south programmes are implemented, such as with the Just Energy Transitions Programme (see Sweeney 2023; JETP n.d.; Wright 2024). Here, NDB responses emphasizing networking and relationship building are relevant. Through global public development bank fora and associations, such as the Finance in Common Summit, the International Development Finance Club, the Montreal Group, and so on NDBs can build inter-institutional relationships with MDBs and foreign NDBs.

Box 4. In the Words of NDBs: MDB Technical Assistance

- "But I think the most important need for Banobras is access to technical assistance in order to improve our knowledge of these methodologies … A very clear need … This is about the technical capacities inside the bank." (Banobras)
- "BNDA specializes in a sector that is highly sensitive to climate change, which has a significant impact on our beneficiaries… The BNDA is in demand for this support, whether in the form of grants or technical assistance, in order to remedy certain shortcomings of our customers." (BNDA)
- "MDB assistance on writing a sustainable bond framework evolved into writing our sustainability policy." (BDMG)
- "Do our processes match? Do we have the same process for procurement? Our idea is to smooth cooperation [between MDBs and KfW and other NDBs] and make it easier and make it more attractive for the individual project managers who then can work with us" (KfW).

Source: NDB respondents.

Finally, NDB respondents identified as significant the technical assistance received based on non-debt based financial transfers. That is, technical assistance can take the form of grant-based or highly concessional financial resources to pay for external consultants. The external consultants then help NDBs to prepare project proposals, to support NDB policy formation, and to build NDB knowledge capacity.

5.4 Technical assistance and non-financial relationships are also important forms of NDB and MDB collaboration

Improving NDB access to global climate financial resources and grants is an important part of MDB technical assistance to NDBs (Griffith-Jones *et al.* 2020; UN FSDR 2024). NDBs are seeking to increase collaborations with MDBs to better access multilateral climate finance resources from the MDBs but also from sources like the Green Climate Fund. This is a relatively new phenomenon.

There are good reasons for NDBs to seek support to better access to multilateral climate finance. NDBs in the global south will often have more limited resources to deal with the scale of current and future climate change risks to social and economic development. Yet the global south is expected to be most affected by climate change, in particular small island states and communities (IPCC 2023). NDBs are essential partners in getting domestic climate projects done, insofar as NDBs can directly channel funding into climate aligned domestic projects and help to ensure real climate impacts vis-à-vis Paris Agreement nationally determined contributions (NDCs), the 2030 SDGs, the Convention on Biological Diversity, and so on (UN FSDR 2024). Pressure, too, is mounting on the MDBs to perform. As Angela Churie Kallhauge, Executive Vice President at the Environmental Defense Fund, writes (2024), 'Multilateral Development Banks Must Turn Words into Action'. To this end, NDBs are and will be vital to realising any substantive climate impacts. This vital role of NDBs has been made clear in the January 2025 UN FfD4 Conference Zero Draft document (UN FfSD Office 2025).

The 14 global south NDBs signaled the importance of MDB technical support for gaining access to global climate resources. A few specific areas of collaboration that stood out included climate risk assessment and evaluation methods; impact assessment and tracking methods (for example, greenhouse gas emissions); support on enhancing governance practices to better access global financial markets and to write green bond issuances; and support for the development of policies related to SDG 5 and Gender Equality. In one specific case, Bancoldex, Senior Staff noted that 95 to 98 percent of their customers are micro-, small-, and medium-sized enterprises (MSMEs). For this bank, when the MDBs act

flexibly they want to use them to access climate finance, but there remains a gap between what MDBs ask and what their customers demand, which makes it difficult to expand collaborations in climate finance.

NDBs in Europe have more favourable terms of access to climate finance markets. They, however, are keen on the significance of MDB support for NDBs in advancing climate finance opportunities. NDBs in Europe, like the KfW, exchange information with MDBs, which can also include discussing terms to provide better co-financing frameworks for the global South NDBs. Bpifrance Senior Staff noted that they had a "very innovative climate finance policy and developed products for French companies" (19 November 2024), which they exchange primarily but not exclusively with European NDBs through regular meetings. Even though their information exchange with non-European NDBs is ad hoc, they are open to such collaborations with MDBs and global south NDBs due to interconnections of French companies with, for example, African companies.

Of note, global south NDBs repeatedly highlighted the importance of MDB support in accessing multilateral climate funds as a whole. The Green Climate Fund (GCF), however, stood out for the desire of NDBs to be GCF-accredited and, when achieved, for the institutional pride in having gained accreditation. Yet there was a troublesome finding that emerged in this part of the interviews. NDBs recurrently stressed, in no uncertain terms, how slow, complex, and costly it was to become GCF accredited. The troubles of GCF accreditation were perhaps the one area where NDB staff were most emphatic and animated. In the confidential words of a NDB Senior Staff, "We're trying to access the GCF, the Green Climate Fund. Very slow, very bureaucratic. And we haven't made a whole lot of in roads." The challenges of NDBs accessing multilateral climate finance are garnering mounting attention (Barros de Castro and Studart 2024).

One area where respondents highlight significant issues is in the agreement of key performance indicators (KPIs). There are real divergences between what standards are desired to be set between multilateral and national parties, between which climate policies to elevate, and between perceived trade-offs between climate and development.

In summary, our research results show that NDB collaborations with MDBs assume a variety of forms that depend on the specificities of each institution. Second, many NDBs engage MDBs to gain access to hard foreign currencies, but risk and cost sensitivities are significant. Third, NDBs see technical assistance and non-financial relationships with MDBs as important. Finally, MDBs are important conduits for most NDBs to access to global climate financial resources.

6. Global Public Development Bank Financing for Green and Just Transitions: Three Conclusions and Four Recommendations

We draw three main conclusions from our research on current NDB collaborations with the MDBs. **First**, NDB financial interactions with the MDBs (and multilateral funds) are intensely risk and cost sensitive while also often being too complex, too slow, and too insensitive to domestic circumstances. **Second**, NDBs derive tangible benefits from MDB technical assistance (financial and non-financial), particularly in the realm of climate finance. **Third**, NDBs have a sense of being unequal and subordinate partners to the MDBs and a sense that NDB understandings of local conditions are not fully appreciated by the MDBs.

Four main recommendations follow from our analysis. These include: the expansion of dramatically more attractive climate financing and grants; the rethinking of MDB technical assistance; the need for NDBs to build a robust pipeline of domestic projects; and a call for UN Member States to foster a global public development bank ecosystem. These recommendations aim at providing specific, concrete, and actionable policy options. They are challenging to implement. Yet the four recommendations should be regarded as pivotal for scaling up global climate finance in ways that can support socially just green transitions domestically.

Recommendation One: MDBs, multilateral climate funds, and their governing boards must significantly expand low-risk, affordable, genuinely concessional, and high-quality climate financing and grant funding to NDBs. NDB access to highly concessional MDB and multilateral climate financing and grants needs to be delivered faster and under far less onerous conditions. This recommendation is the condition sine qua non for delivering climate financing at the pace, scale, and on the terms needed for accelerating global green transitions that can be socially just transitions. Without this, NDBs will struggle to magnify domestic climate financing in ways that will accelerate green and just transitions. Put bluntly, unless domestic climate financing is dramatically more attractive to the NDBs, it will not be attractive to local clients, and climate financing will continue to have slow and limited uptake. Climate finance must be in the clients' material interest to be effective. Failing the delivery of such climate financing and grants, MDBs will not have the local NDB partners needed to advance and ensure green and just transition impacts.

Recommendation Two: MDBs need to rethink technical assistance (financial and non-financial) to make it more purposively sustainable for the domestic financing of global green and just transitions vis-à-vis specific national contexts. The research shows that there is strong NDB recognition of high-quality MDB institutional knowledge and expertise, particularly within the areas of climate finance, carbon emissions, and environmental sustainability. Yet the provisioning of MDB technical assistance too often relies on precarious grant funding and this results in the hiring of external, short-term consultancies. Rather, MDB technical assistance should help to build and enhance permanent and sustainable NDB climate finance capacity and expertise through upskilling mechanisms and consistent support programs that are not solely tied to one-off project loans. Rethinking technical assistance should aim to have the knock-on benefit of enhancing and improving NDB to MDB relationships of equality and respect.

Recommendation Three: NDBs need to take responsibility for building a more substantive pipeline of attractive climate and just transition projects. As expressed in their climate commitments, the NDBs have a clear responsibility to accelerate global green and just transitions within their borders. The offering of high-quality projects, however, is often thin. NDBs and their government owners must act to better support and build high-quality, low-carbon, ecologically-sound, and socially-just developmental projects at home. There is unequivocal domestic responsibility here.

At the same time, however, the multilateral community must abandon its narrow understanding of 'bankable' projects as revenue generating and market-oriented financing strategies (see IMF/World Bank 2015 'Billions to Trillions' agenda). This market-oriented agenda has collapsed the field of prospective climate projects, concentrating climate investments in only the most profitable sectors and investible regions. Essential services, like water, and sustainable development projects in poorer regions and marginalised communities are cut out (see CPI 2024a for data on climate finance flows; cf. Bryant and Webber 2024). The consequence has been large-scale socio-political backlash against green transitions because they have been socially unjust. Idealised hopes of win-win-win scenarios (profit, people, and planet) have proven hollow. New, innovative, and purposeful policy and practice needs crafting that match green transitions with democratically aligned and socially just transitions (IPCC 2023). Global green and just transitions cannot be entrusted to the anarchic market-based structure of the current international financial architecture (see UN 2023; UN FSDR 2024).

Recommendation Four: United Nations Member States should call on their public development banks, both the NDBs and MDBs, to foster a global public development bank ecosystem grounded in accountable public-public collaborations. This recommendation is catalytic for the realization of recommendations one, two, and three above. The intentional and purposeful working together of the world's public development banks is the logical recommendation to be drawn from the research results and to the core research question posed: What do NDBs need from the MDBs to help foster a more catalytic public development bank response to financing the 2030 SDGs at the pace, scale, and on the terms appropriate for global green and just transitions? They need coherent, consistent, concessional, and action-oriented accountable collaboration with multilateral development banks to be able to take the lead on financing green and just transitions domestically. UN Member States, who are the owners and governors of both the world's MDBs and NDBs, are responsible for realising this policy innovation. Talk of enhanced 'public-public collaboration' was common during the FiCS. The Finance in Common Summit 2025 Final Communiqué directly speaks to the benefits of intentional MDB and NDB collaboration to "unleash the full potential of the PDB ecosystem."

While a logical outcome of our research, it should be noted that the ideas around fostering a public development bank ecosystem are not entirely new. The world's MDBs recognise the need themselves to work better together (MDB Statement 2024a). The world's NDBs likewise recognise the value of global collaboration, exhibited through the annual Finance in Common Summit and emerging collective actions (like the newly formed Water Finance Coalition).

On the research and policy, there are wider calls for more coordination among existing national and multilateral scales of public banks (Griffith-Jones *et al.* 2020; Schclarek and Xu 2022b; Ocampo and Ortega 2023; Marois et al 2024; FiCS 2024; Barros de Castro and Studart 2024; Mariotti *et al.* 2025).

Finally, UN Member States, too, are eager to revitalize the global financing framework for sustainable development during the Fourth Finance for Development Conference (FfD4) in Sevilla, Spain in 2025. In the January 2025 Zero Draft FfD4 Outcome Document, the topic of the MDBs and the system of public development banks is raised. In the Draft, Member States write: 'As shareholders of the MDBs and other PDBs, we will enhance their ability to work better as a system in service of country-led development strategies.' (UN FfSD Office 2025, 14; emphasis added).

7. Final Words: National Development Banks working together with Multilateral Development Banks

Our motivating research question for this study is: What do national development banks (NDBs) need from multilateral development banks (MDBs) to help foster a more catalytic public development bank response to financing the 2030 SDGs at the pace, scale, and on the terms appropriate for global green and just transitions? From the results of our research that involved 18 NDBs and 40 Senior Staff members, we have concluded that a) NDB financial interactions with the MDBs are intensely risk and cost sensitive while being complex, slow, and insensitive to domestic circumstances; b) that NDBs derive real benefits from MDB technical assistance; and c) that NDBs have a sense being subordinate partners and that local contexts are not fully appreciated. The four evidence-informed recommendations are intended to support catalytic global public development bank climate finance response, including: 1) to dramatically expand more attractive climate financing and grants; 2) to rethink technical assistance; 3) to build a robust pipeline of domestic projects based more or realising climate policy than private profits; and 4) for UN Member States to foster a global public development bank ecosystem.

The Fourth Finance for Sustainable Development Conference (FfD4) in Sevilla, Spain, in the summer of 2025 is a once-in-a-decade opportunity for UN Member States and civil society to coalesce around an innovative, practical, and impactful policy turn that has every potential to meaningfully accelerate global green and just transitions. The February 2025 Finance in Common Summit provided a chance for the world's public development banks and policymakers, in advance of FfD4, to rethink and reclaim their catalytic finance for development capacity while meaningfully considering how to make public finance more accountable, democratic, sustainable, and socially just. There is no pathway to financing global green transitions that will not pass through the world's public development banks. We have an opportunity to ensure that the world's public development banks take the lead in ensuring that global green transitions are socially just transitions.

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List of acronyms and abbreviations

ADB	Asian Development Bank
AECID	Agencia Española de Cooperación Internacional para el Desarrollo, Spain
AFC	African Finance Corporation
AFD	French Development Agency
AfDB	African Development Bank
Afreximbank	African Export-Import Bank
AIIB	Asian Infrastructure Investment Bank
BADEA	Arab Bank for Economic Development in Africa
Bancoldex	Banco de Desarrollo Empresarial de Colombia
Banobras	Banco Nacional de Obras y Servicios Públicos, Mexico
BDEGL	Banque de Développement des Etats des Grands Lacs
BDMG	Development Bank of Minas Gerais
BIDV	Bank for Investment and Development of Vietnam
BOAD	West African Development Bank
Bpifrance	Banque publique d'investissement, France
BRD	Development Bank of Rwanda
BNDA	Banque Nationale de Développement Agricole, Mali
CABEI	Central American Bank for Economic Integration
CAF	Development Bank of Latin America and the Caribbean
CDB	China Development Bank
CDP	Cassa Depositi e Prestiti, Italy
CEB	Council of Europe Development Bank
CVDB	Cities and Villages Development Bank, Jordan
DBSA	Development Bank of Southern Africa
DBN	Development Bank of Nigeria
DBJ	Development Bank of Japan

EADB	East African Development Bank
EIB	European Investment Bank
EBID	Ecowas Bank for Investment and Development
EBRD	European Bank for Reconstruction and Development
FONPLATA	Plata Basin Financial Development Fund, South America
FEC	Fonds d'Equipment Communal, Morocco
Findeter	Financiera de Desarrollo Territorial, Colombia
FMO	Entrepreneurial Development Bank, Netherlands
IDB	Inter-American Development Bank
ICO	Instituto de Credito Oficial, Spain
IFC	International Finance Corporation – World Bank Group
IsDB	Islamic Development Bank
JBIC	Japan Bank for International Cooperation
JEFIC	Joint European Financiers for International Cooperation
KFAED	Kuwait Fund for Arab Economic Development
KfW	Kreditanstalt für Wiederaufbau, Germany
MDB	Multilateral Development Bank
MuniFin	Municipality Finance, Finland
TDB	Trade and Development Bank, Africa
TKYB	Development and Investment Bank of Türkiye
NADB	North American Development Bank
NDB	National Development Bank
NewDB	New Development Bank
PT SMI	PT Sarana Multi Infrastruktur, Indonesia
SIDA	Swedish International Development Agency
WB	World Bank - International Bank for Reconstruction and Development
WB–MIGA	World Bank – Multilateral Investment Guarantee Agency

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